
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November 2021

Commission File Number: 001-40451

DLocal Limited

(Exact name of registrant as specified in its charter)

**Dr. Luis Bonavita 1294
Montevideo
Uruguay 11300
+1 (424) 392-7437**
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

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EXHIBIT

- 99.1 Press release dated November 16, 2021 - DLocal Limited Reports 2021 Third Quarter Financial Results
- 99.2 DLocal Limited Unaudited Condensed Consolidated Interim Financial Statements as of September 30, 2021 and for the three and nine-month period ended September 30, 2021 and 2020

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DLocal Limited

By: /s/ Diego Cabrera Canay

Name: Diego Cabrera Canay

Title: Chief Financial Officer

Date: November 17, 2021



DLocal Limited Reports Third Quarter 2021 Financial Results

*US\$1.8 billion Total Payment Volume, up 217% year-over-year
Revenues of US\$68.6 million, up 123% year-over-year
38% Adj EBITDA Margin, down 228 bps year-over-year*

dLocal reports in US dollars and in accordance with IFRS as issued by the IASB

Montevideo, Uruguay November 16, 2021 (GLOBE NEWSWIRE) — DLocal Limited (“dLocal”, “we”, “us”, and “our”) (NASDAQ:DLO), a technology- first payments platform today announced its financial results for the third quarter ended September 30, 2021.

“We continue to see strong growth across multiple verticals as we see local economies continue to bounce back and global merchants prioritize their efforts in emerging markets. We continue to execute on our strategy to make the complex simple for our merchants. We continue to add new product capabilities on our platform that enhance our merchants’ ability to benefit from higher conversion. We continue to add new countries to our infrastructure network while continuing to add more payment methods and partners in markets in Latin America, Asia and Africa”, said Sebastian Kanovich.

Third Quarter 2021 Financial Highlights

- Total Payment Volume (“TPV”) reached US\$1.8 billion in the quarter, representing 217% year-over-year growth compared to US\$572 million in the third quarter of 2020 and 24% growth compared to US\$1.5 billion in the second quarter of 2021.
- Revenues in the third quarter of 2021 amounted to US\$68.6 million, representing 123% year-over-year growth compared to US\$30.9 million in the third quarter of 2020 and 16% growth compared to \$59.0 million in the second quarter of 2021.
- Adjusted EBITDA was US\$26.3 million in the third quarter of 2021 compared to US\$12.5 million in the third quarter of 2020 and US\$25.9 million in the second quarter of 2021.
- Adjusted EBITDA Margin was 38% in the third quarter of 2021 compared to 41% in the third quarter of 2020 and 44% in the second quarter of 2021.
- Profit for the third quarter of 2021 was US\$19.7 million, or US\$0.06 per diluted share, compared with profit of US\$8.6 million, or US\$0.03 per diluted share, for the third quarter of 2020 and with profit of US\$17.7 million, or US\$0.06 per diluted share, for the second quarter of 2021.
- Profit for the third quarter of 2021 includes one-off expenses of US\$0.9 million mainly related to secondary offering expenses.
- As of September 30, 2021, dLocal had US\$293.1 million in cash, cash equivalents and marketable securities, compared with US\$266.0 million as of June 30, 2021. The increase of US\$27.1 reflects an increase of US\$16.3 million in our funds and an increase of US\$10.8 million in funds due to our merchants with respect to the second quarter of 2021.

The following table summarizes our key performance metrics:

Key Performance Metrics	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(in millions of US\$ except for %)			
TPV	1,812	572	4,193	1,308
TPV growth YoY	217%	65%	221%	47%
Revenue	68.6	30.9	167.9	69.5
Revenue growth YoY	123%	96%	142%	85%
Adj. EBITDA	26.3	12.5	70.1	28.3
Adj. EBITDA Margin	38%	41%	42%	41%

Earnings per share:

We calculate basic earnings per share by dividing the profit attributable to equity holders by the weighted average number of common shares issued and outstanding during the nine-months and three-months periods ended September 30, 2021 and 2020.

Our diluted earnings per share is calculated by dividing the profit attributable to equity holders of dLocal by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares.

The next table presents the information used as base for such calculation

	For the three-month period ended		For the nine-month period ended	
	September 30		September 30	
	2021	2020	2021	2020
Profit attributable to equity shareholders (U.S. Dollars)	19,663,000	8,622,000	54,291,000	16,586,000
Weighted average number of common shares	293,558,997	268,598,000	284,456,779	268,598,000
Adjustments for calculation of diluted earnings per share	19,646,000	12,964,000	19,609,500	13,544,500
Weighted average number of ordinary shares for calculating diluted earnings per share	313,204,997	281,562,000	304,066,279	282,142,500
Basic earnings per share	0.07	0.03	0.19	0.06
Diluted earnings per share	0.06	0.03	0.18	0.06

Third Quarter 2021 Business Highlights

- Our quarter over quarter TPV growth is attributable to the performance and continued growth of our enterprise merchants across most verticals, particularly in ride hailing, streaming, advertising, SAAS (“software as a service”) and retail, while other verticals such as financial services remained relatively stable.
- Revenue from Existing Merchants increased by US\$26.2 million in the third quarter of 2021. The net revenue retention rate, or NRR, in the third quarter of 2021 reached 185%, compared with 159%¹ in the fiscal year 2020.
- Revenues from New Merchants reached US\$11.6 million in the third quarter of 2021 compared to US\$9.5 million in the fiscal year 2020.
- dLocal continued to focus on its expansion efforts and added Thailand and El Salvador to its geographic network during the quarter, bringing the total number of countries in which dLocal makes its services available to 32.
- On average, Enterprise Global Merchants used dLocal’s platform in more than seven different countries and 64 payment methods in the third quarter of 2021, compared to nearly six different countries and 44 payment methods in 2020 and nearly seven different countries and 62 payment methods in the second quarter of 2021.

¹ Including the effect in 2019 of a warrant with a merchant (valued at US\$4.3 million, which was a contra-revenue for such year), the NRR would have been 171%.

Conference Call and Webcast

dLocal's management team will host a conference call and audio webcast on November 16, 2021 at 4:30 p.m. Eastern Time. The conference call may be accessed by dialing (888) 705-0197/ (409) 981-0764 (Conference ID – 4073836 –) and requesting inclusion in the call for dLocal.

The live conference call can be accessed via audio webcast at the investor relations section of dLocal's website, at <https://investor.dlocal.com/>. An archive of the webcast will be available for a year following the conclusion of the conference call. The investor presentation will also be filed on EDGAR at www.sec.gov.

About dLocal

dLocal powers local payments in emerging markets, connecting global enterprise merchants with billions of emerging market consumers in over 30 countries across APAC, the Middle East, Latin America, and Africa. Through the "One dLocal" platform (one direct API, one platform, and one contract), global companies can accept payments, send pay-outs and settle funds globally without the need to manage separate pay-in and payout processors, set up numerous local entities, and integrate multiple acquirers and payment methods in each market.

Definition of Selected Operational Metrics

"API" means application programming interface, which is a general term for programming techniques that are available for software developers when they integrate with a particular service or application. In the payments industry, APIs are usually provided by any party participating in the money flow (such as payment gateways, processors, service providers) to facilitate the money transfer process.

"Enterprise Global Merchants" means merchants with at least US\$6 million of annual TPV used in our platform.

"Local payment methods" refers to any payment method that is processed in the country where the end user of the merchant sending or receiving payments is located, which include credit and debit cards, cash payments, bank transfers, mobile money, and digital wallets.

"NRR" means net revenue retention rate, which is the U.S. dollar-based measure of retention and growth of our merchants. We calculate the NRR of a period by dividing the current period revenue by the prior period revenue. The prior period revenue is the revenue billed by us to all of our merchant customers in the corresponding period for the prior fiscal year. The current period revenue is the revenue billed by us in the corresponding period for the current fiscal year to the same merchant customers included in the calculation of the prior period revenue. Current period revenue includes any upsells and cross-sells of products, geographies, and payment methods to such merchant customers, and is net of any contractions or attrition, but excludes revenue from new customers on-boarded during the last 12 months.

"Pay-in" means a payment transaction whereby dLocal's merchant customers receive payment from their customers.

"Pay-out" means a payment transaction whereby dLocal disburses money in local currency to the business partners or customers of dLocal's merchant customers.

"Revenue from New Merchants": means the revenue billed by us to merchant customers that we did not bill revenues in the same quarter (or period) of the prior year.

"Revenue from Existing Merchants": means the revenue billed by us in the last twelve months to the merchant customers that we billed revenue in the same quarter (or period) of the prior year.

Special Note Regarding Adjusted EBITDA and Adjusted EBITDA Margin

dLocal has only one operating segment. dLocal measures its operating segment's performance by Revenues, Adjusted EBITDA and Adjusted EBITDA Margin, and uses these metrics to make decisions about allocating resources.

Adjusted EBITDA as used by dLocal is defined as the profit from operations before financing and taxation for the year or period, as applicable, before depreciation of property, plant and equipment, amortization of right-of-use assets and intangible assets, and further excluding the changes in fair value of financial assets and derivative instruments carried at fair value through profit or loss, impairment gains/(losses) on financial assets, transaction costs, share-based payment non-cash charges, secondary offering expenses, transaction expenses and inflation adjustment. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenues.

Although Adjusted EBITDA and Adjusted EBITDA Margin may be commonly viewed as non-IFRS measures in other contexts, pursuant to IFRS 8, ("Operating Segments"), Adjusted EBITDA and Adjusted EBITDA Margin are treated by dLocal as IFRS measures based on the manner in which dLocal utilizes these measures. Nevertheless, dLocal's Adjusted EBITDA and Adjusted EBITDA Margin metrics should not be viewed in isolation or as a substitute for net income for the periods presented under IFRS. dLocal also believes that its Adjusted EBITDA and Adjusted EBITDA Margin metrics are useful metrics used by analysts and investors, although these measures are not explicitly defined under IFRS. Additionally, the way dLocal calculates operating segment's performance measures may be different from the calculations used by other entities, including competitors, and therefore, dLocal's performance measures may not be comparable to those of other entities.

The table below presents a reconciliation of dLocal's Adjusted EBITDA and Adjusted EBITDA Margin to net income:

	Three-months ended September 30		Nine-months ended September 30	
	2021	2020	2021	2020
	(in thousands of US\$ except for %)			
Profit for the period	19,669	8,622	54,304	16,586
<i>Income tax expense</i>	2,558	932	5,533	2,231
<i>Depreciation and amortization</i>	1,381	282	3,240	744
<i>Secondary offering expenses</i>	695	—	4,442	—
<i>Transaction costs</i>	211	—	665	—
<i>Share-based payment non-cash charges</i>	2,673	106	5,354	7,039
<i>Other operating loss / (gain)</i>	—	2,760	(2,896)	2,831
<i>Other charges, net</i>	(868)	(169)	(557)	(1,181)
Adjusted EBITDA	26,319	12,533	70,085	28,250
Revenues	68,646	30,850	167,863	69,490
Adjusted EBITDA	26,319	12,533	70,085	28,250
Adjusted EBITDA Margin	38.3%	40.6%	41.8%	40.7%

This press release does not contain sufficient information to constitute an interim financial report as defined in International Accounting Standards 34, "Interim Financial Reporting" nor a financial statement as defined by International Accounting Standards 1 "Presentation of Financial Statements". The financial information in this press release has not been audited.

Forward Looking Statements

This press release contains certain forward-looking statements. These forward-looking statements convey dLocal's current expectations or forecasts of future events. Forward-looking statements regarding dLocal involve known and unknown risks, uncertainties and other factors that may cause dLocal's actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Certain of these risks and uncertainties are described in the "Risk Factors," "Forward-Looking Statements" and "Cautionary Note Regarding Forward-Looking Statements" sections of dLocal's most recent registration statement on Form F-1 and certain of dLocal's other filings with the U.S. Securities and Exchange Commission. Unless required by law, dLocal undertakes no obligation to publicly update or revise any forward-looking statements to reflect circumstances or events after the date hereof.

DLocal Limited
Certain interim financial information
Consolidated Condensed Statements of Comprehensive Income for the three month and nine month periods ended September 30, 2021 and 2020

(In thousands of U.S. dollars, except per share amounts, unaudited)

	Three-months ended September 30		Nine-months ended September 30	
	2021	2020	2021	2020
Continuing operations				
Revenues	68,646	30,850	167,863	69,490
Cost of services	(34,202)	(13,969)	(76,361)	(30,084)
Gross profit	34,444	16,881	91,502	39,406
Technology and development expenses	(1,116)	(528)	(2,232)	(1,255)
Sales and marketing expenses	(1,255)	(739)	(3,424)	(2,022)
General and administrative expenses	(10,887)	(3,469)	(30,080)	(15,662)
Impairment loss / (gain) on financial assets	159	(45)	(8)	853
Other operating gain/(loss)	224	(2,760)	3,514	(2,831)
Operating profit	21,569	9,340	59,272	18,489
Finance income	1,089	219	1,273	354
Finance costs	(275)	(14)	(511)	(60)
Inflation adjustment	(156)	9	(197)	34
Other results	658	214	565	328
Profit before income tax	22,227	9,554	59,837	18,817
Income tax expense	(2,558)	(932)	(5,533)	(2,231)
Profit for the period	19,669	8,622	54,304	16,586
Profit attributable to:				
Owners of the Group	19,663	8,622	54,291	16,586
Non-controlling interest	6	—	13	—
Profit for the period	19,669	8,622	54,304	16,586
Earnings per share (in USD)				
Basic Earnings per share	0.07	0.03	0.19	0.06
Diluted Earnings per share	0.06	0.03	0.18	0.06
Other comprehensive Income				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange difference on translation on foreign operations	(391)	249	477	(555)
	(391)	249	477	(555)
Total comprehensive income for the period				
Owners of the Group	19,272	8,869	54,759	16,031
Non-controlling interest	6	2	22	—
	19,278	8,871	54,781	16,031

DLocal Limited

Certain interim financial information

Consolidated Condensed Statements of Financial Position as of September 30, 2021 and December 31, 2020

(In thousands of U.S. dollars, except per share amounts, unaudited)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	293,055	111,733
Financial assets at fair value through profit or loss	1,066	8,319
Trade and other receivables	167,600	72,785
Other assets	1,825	2,017
Total Current Assets	463,546	194,854
Non-Current Assets		
Deferred tax assets	252	216
Property, plant and equipment	2,243	913
Right-of-use assets	4,030	188
Intangible assets	45,799	4,153
Other assets	—	143
Total Non-Current Assets	52,324	5,613
TOTAL ASSETS	515,870	200,467
LIABILITIES		
Current Liabilities		
Trade and other payables	244,476	142,865
Lease liabilities	272	201
Tax liabilities	8,742	7,788
Derivative financial instruments	—	2,896
Provisions	2,409	1,393
Contingent considerations liability	665	—
Total Current Liabilities	256,564	155,143
Non-Current Liabilities		
Deferred tax liabilities	655	259
Lease liabilities	3,760	17
Total Non-Current Liabilities	4,415	276
TOTAL LIABILITIES	260,979	155,419
EQUITY		
Share Capital	590	602
Share Premium	157,151	—
Capital Reserve	10,505	12,582
Other Reserves	423	119
Retained earnings	86,204	31,749
Total Equity Attributable to owners of the Group	254,873	45,052
Non-controlling interest	18	(4)
TOTAL EQUITY	254,891	45,048

dLocal was incorporated on February 10, 2021, as a Cayman Islands exempted company with limited liability, duly registered with the Cayman Islands Registrar of Companies. The contribution of dLocal Group Limited (a limited liability company incorporated in Malta, the former holding entity or “dLocal Malta”) shares to dLocal was the Cayman Islands company has been finalized as of April 14, 2021. Until the contribution of dLocal Malta shares to it, dLocal had not commenced operations, consequently the historical information previous to that date presented in here corresponds to dLocal Malta, our predecessor. This reorganization was done, among other things, to facilitate the initial public offering of the Group. dLocal had no prior assets, holdings or operations.

Other disclosures:

Pursuant to the terms of certain lock-up agreements entered into by dLocal’s directors and executive officers, the selling shareholders, and certain other shareholders with the underwriters of dLocal’s initial public offering, the lock-up restrictions will be released immediately prior to the opening of trading on November 18, 2021 with respect to 70% of the common shares owned immediately prior to the initial public offering by each of the selling shareholders and dLocal’s directors, executive officers, and certain other shareholders; provided that dLocal’s directors and the selling shareholders that participated in dLocal’s secondary offering of common shares on October 20, 2021 remain subject to lock-up restrictions for 90 days from the date thereof.

Investor Relations Contact:

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DLocal Limited

Unaudited Condensed Consolidated Interim Financial Statements as of September 30, 2021 and for the three and nine-month periods ended September 30, 2021 and 2020

DLocal Limited

Consolidated Condensed Interim Statements of Comprehensive Income

For the nine-month and three-month periods ended September 30, 2021 and 2020

(All amounts in thousands of U.S. Dollars except share data or as otherwise indicated)

	Notes	Nine-months ended September 30		Three-months ended September 30	
		2021	2020	2021	2020
Continuing operations					
Revenues	6	167,863	69,490	68,646	30,850
Cost of services	6	(76,361)	(30,084)	(34,202)	(13,969)
Gross profit		91,502	39,406	34,444	16,881
Technology and development expenses	7	(2,232)	(1,255)	(1,116)	(528)
Sales and marketing expenses	8	(3,424)	(2,022)	(1,255)	(739)
General and administrative expenses	8	(30,080)	(15,662)	(10,887)	(3,469)
Impairment (loss)/gain on financial assets	15	(8)	853	159	(45)
Other operating gain/(loss)		3,514	(2,831)	224	(2,760)
Operating profit		59,272	18,489	21,569	9,340
Finance income		1,273	354	1,089	219
Finance costs		(511)	(60)	(275)	(14)
Inflation adjustment		(197)	34	(156)	9
Other results		565	328	658	214
Profit before income tax		59,837	18,817	22,227	9,554
Income tax expense	11	(5,533)	(2,231)	(2,558)	(932)
Profit for the period		54,304	16,586	19,669	8,622
Profit attributable to:					
Owners of the Group		54,291	16,586	19,663	8,622
Non-controlling interest		13	—	6	—
Profit for the period		54,304	16,586	19,669	8,622
Earnings per share (in USD)					
Basic Earnings per share	12	0.19	0.06	0.07	0.03
Diluted Earnings per share	12	0.18	0.06	0.06	0.03
Other comprehensive Income					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange difference on translation on foreign operations		477	(555)	(391)	249
Other comprehensive income / (expense) for the period, net of tax		477	(555)	(391)	249
Total comprehensive income for the period					
Owners of the Group		54,759	16,031	19,272	8,869
Non-controlling interest		22	—	6	2
		54,781	16,031	19,278	8,871

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements.

DLocal Limited

Consolidated Condensed Interim Statements of Financial Position

As of September 30, 2021 and December 31, 2020

(All amounts in thousands of U.S. Dollars except share data or as otherwise indicated)

	Notes	September 30, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents	14	293,055	111,733
Financial assets at fair value through profit or loss		1,066	8,319
Trade and other receivables	15	167,600	72,785
Other assets	16	1,825	2,017
Total Current Assets		463,546	194,854
Non-Current Assets			
Deferred tax assets		252	216
Property, plant and equipment		2,243	913
Right-of-use assets		4,030	188
Intangible assets	17	45,799	4,153
Other assets	16	—	143
Total Non-Current Assets		52,324	5,613
TOTAL ASSETS		515,870	200,467
LIABILITIES			
Current Liabilities			
Trade and other payables	18	244,476	142,865
Lease liabilities		272	201
Tax liabilities	19	8,742	7,788
Derivative financial instruments	20	—	2,896
Provisions	21	2,409	1,393
Contingent considerations liability		665	—
Total Current Liabilities		256,564	155,143
Non-Current Liabilities			
Deferred tax liabilities		655	259
Lease liabilities		3,760	17
Total Non-Current Liabilities		4,415	276
TOTAL LIABILITIES		260,979	155,419
EQUITY			
Share Capital	12	590	602
Share Premium	12	157,151	—
Capital Reserve	12	10,505	12,582
Other Reserves	12	423	119
Retained earnings	12	86,204	31,749
Total Equity Attributable to owners of the Group		254,873	45,052
Non-controlling interest		18	(4)
TOTAL EQUITY		254,891	45,048

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements.

DLocal Limited

Consolidated Condensed Interim Statements of Changes in Equity

For the nine-month periods ended September 30, 2021 and 2020

(All amounts in thousands of U.S. Dollars except share data or as otherwise indicated)

	Notes	Member Contributed Capital	Share Capital	Share Premium	Capital Reserve	Other Reserves	Retained Earnings	Total	Non-controlling interest	Total equity
Balance as of January 1st, 2021		—	602	—	12,582	119	31,749	45,052	(4)	45,048
Comprehensive Income for the period										
Profit of the period		—	—	—	—	—	54,291	54,291	13	54,304
Exchange difference on translation on foreign operations		—	—	—	—	304	164	468	9	477
Total Comprehensive Income for the period		—	—	—	—	304	54,455	54,759	22	54,781
Transactions with Group owners in their capacity as owners										
Initial public offering, net of underwriting discount and incremental and direct costs	12	—	9	86,441	—	—	—	86,450	—	86,450
Issue of ordinary shares	12	—	45	63,132	—	—	—	63,177	—	63,177
Par value change from 1.1211 U.S. Dollars to 1 U.S. Dollars	12	—	(70)	70	—	—	—	—	—	—
Share-options exercise	12	—	—	6,979	(6,898)	—	—	81	—	81
Share-based payment charges	9	—	—	—	5,360	—	—	5,360	—	5,360
Forfeitures	12	—	—	—	(6)	—	—	(6)	—	(6)
Warrant exercise	12	—	4	529	(533)	—	—	—	—	—
Transactions with Group owners in their capacity as owners		—	(12)	157,151	(2,077)	—	—	155,062	—	155,062
Balance as of September 30th, 2021		—	590	157,151	10,505	423	86,204	254,873	18	254,891
Balance as of January 1st, 2020		602	—	—	5,287	14	18,460	24,363	166	24,529
Adjustments due to reorganizations		(602)	602	—	—	—	—	—	—	—
Adjusted balance as of January 1st, 2020		—	602	—	5,287	14	18,460	24,363	166	24,529
Comprehensive Income for the period										
Profit of the period		—	—	—	—	—	16,586	16,586	—	16,586
Exchange difference on translation on foreign operations		—	—	—	—	(516)	(39)	(555)	—	(555)
Total Comprehensive Income for the period		—	—	—	—	(516)	16,547	16,031	—	16,031
Transactions with Group owners in their capacity as owners										
Share-based payments	9	—	—	—	7,039	—	—	7,039	—	7,039
Transaction between shareholders	12	—	—	—	—	—	163	163	(163)	—
		—	—	—	—	—	(15,000)	(15,000)	—	(15,000)
Distribution of retained earnings		—	—	—	—	—	—	—	—	—
Transactions with Group owners in their capacity as owners		—	—	—	7,039	—	(14,837)	(7,798)	(163)	(7,961)
Balance as of September 30th, 2020		—	602	—	12,326	(502)	20,170	32,596	3	32,599

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements.

DLocal Limited

Consolidated Condensed Interim Statements of Cash Flows
 For the nine-month periods ended September 30, 2021 and 2020
 (All amounts in thousands of U.S. Dollars except share data or as otherwise indicated)

	Notes	September 30, 2021	September 30, 2020
Cash flows from operating activities			
Profit before income tax		59,837	18,817
Adjustments:			
Net, interest expense from financial instruments		(1,289)	(342)
Interest charges for lease liabilities		97	15
Other finance expense		414	45
Amortization of Intangible assets	10	2,594	520
Depreciation of Property, plant and equipment	10	309	96
Amortization of Right-of-use asset	10	337	128
Revenue reduction related to prepaid assets	16	150	—
Share-based payment expense, net of forfeitures	9	5,354	7,039
Net exchange differences		528	(212)
Fair value (gain)/loss on financial assets at fair value through profit or loss		16	(12)
Other operating (gain)/loss	20	(2,896)	2,831
Net Impairment loss/(gain) on financial assets	15	8	(853)
		65,459	28,072
Changes in working capital			
Increase in Trade and other receivables	15	(91,964)	(35,561)
Increase in Other assets	16	146	(23)
Increase in Trade and other payables	18	101,611	59,223
Increase in Tax Liabilities	19	847	—
Increase in Provisions	21	1,016	445
Cash from operating activities		77,115	52,156
Income tax paid	11	(7,975)	(1,337)
Net cash from operating activities		69,140	50,819
Cash flows from investing activities			
Acquisitions of Property, plant and equipment		(1,639)	(266)
Additions of Intangible assets	17	(43,575)	(2,394)
Net collections of / (investments in) financial assets at FVPL		7,237	(8,087)
Interest collected from financial instruments		1,289	342
Net cash used in investing activities		(36,688)	(10,405)
Cash flows from financing activities			
Proceeds from issuance of shares	12	63,177	—
Proceeds from initial public offering	1.1.b	87,088	—
Initial public offering expenses paid		(638)	—
Share-options exercise		81	—
Dividends paid		—	(15,000)
Interest payment on lease liabilities		(97)	(15)
Principal payment on lease liabilities		(326)	(133)
Other finance expense paid		(414)	(45)
Net cash from / (used in) financing activities		148,871	(15,193)
Net increase in cash flow		181,323	25,221
Cash and cash equivalents at the beginning of the period		111,733	34,765
Effects of exchange rate changes on cash and cash equivalents		(1)	28
Cash and cash equivalents at the end of the period		293,055	60,014

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements.

dLocal Limited

Notes to the Consolidated Condensed Interim Financial Statements

At September 30, 2021

(All amounts in thousands of U.S. Dollars except share data or as otherwise indicated)

1. General information and Reorganization

dLocal Limited (“dLocal” or the “Company”) is a holding company, referred to together with its subsidiaries as the “Group”. dLocal is a limited liability company. The Group was established on October 5, 2016, under the holding company dLocal Group Limited, domiciled and incorporated in Malta, and on April 14, 2021 it was reorganized under dLocal, domiciled and incorporated in the Cayman Islands. The Company is the ultimate controlling party of the Group.

The Group processes online payment transactions through more than 600 payment methods on September 30, 2021 (600 in the year 2020), enabling enterprise merchants located in developed economies (mainly United States, Europe and China) to get paid (“payins”) from customers in emerging markets and to make payments (“payouts”) to customers in emerging markets. As of the date of issuance of this Consolidated Condensed Interim Financial Statements, the Group continued to focus on its expansion efforts bringing the total number of countries in the geographic network to over 30.

In order to conduct its business, the Group has direct connections with banks, acquirers and payments processors to process payments locally in emerging markets. It also operates with financial institutions to expatriate/ repatriate the funds to/from the developed economies where the merchant customers elect to settle their funds in the currency of their preference (mainly U.S. Dollar, Euro). These consolidated condensed interim financial statements include dLocal’s subsidiaries and details of the structure are included under Note 4: Consolidation of subsidiaries.

The Group is licensed and regulated in the EU as an Electronic Money Issuer, or EMI, and Payment Institution, or PI, and registered as a Money Service Business with the Financial Crimes Enforcement Network of the U.S. Department of the Treasury, or FinCEN, and we operate and are licensed, as applicable, in more than 20 countries in emerging markets, primarily in the Americas, Asia and Africa.

In addition, the Group is subject to laws aimed at preventing money laundering, corruption and the financing of terrorism. This regulatory landscape is constantly changing, including as a consequence of the implementation of the Fourth Anti-Money Laundering Directive (Directive 2015/849/EU, “MLD4”) and the proposed amendments to the MLD4, often referred to as the fourth Anti-Money Laundering Directive.

Reorganization

On April 14, 2021, in a series of transactions as further described below, the owners of dLocal Group Limited completed the contribution of 100% of their respective interests in dLocal Group Limited, with par value 1.1211 U.S. Dollars per share, on a pro rata basis to a newly formed entity, dLocal, in exchange for 100% of the common shares of dLocal, with par value 1 U.S. Dollars per share with no additional consideration, is defined as the “Reorganization”. The purpose of the Reorganization was to facilitate the initial public offering of the Group. dLocal had no prior assets, holdings or operations.

In connection with the Reorganization, the Group amended its existing employee share incentive plan, the “2020 Global Share Incentive Plan”. In this context, all obligations of dLocal Group Limited under this plan (including award agreements issued thereunder) have been transferred to dLocal, and options to purchase ordinary shares of dLocal Group Limited have been converted into options to purchase ordinary shares of dLocal. The conversion was based on a ratio intended to maintain in all material respects the same, and in no event greater, economic benefit to optionees as provided under the plans in effect prior to the Reorganization.

Additionally, the written resolution of dLocal's shareholders dated May 19, 2021 and effective June 2, 2021, approved a 500-for-1 stock split of dLocal's common shares, whereby every share of capital stock of dLocal was converted into 500 shares, changing the par value of dLocal's common shares from 1 U.S. Dollars to 0.002 U.S. Dollars. Therefore, dLocal increased total shares outstanding from 577,008 shares to 288,504,000 shares. Consequently, the 2020 Global Share Incentive Plan was also amended to reflect such change in the par value of the common shares. References made to outstanding shares and per share amounts in the accompanying financial statements and applicable disclosures have been retroactively adjusted to reflect this stock split.

The Reorganization was limited to entities which were all under the control of the same shareholder group and was implemented in part to facilitate the IPO, it did not qualify as a business combination under common control; rather, it was a simple Reorganization of the capital of dLocal Group Limited, the existing organization. Therefore, all financial and other information herein relating to December and September 2020 are presented using the historical values from the consolidated financial statements of dLocal Group Limited. However, the issued share capital reflects that of Dlocal as of the Reorganization date.

1.1. Significant events during the period

a) Warrant exercise

On September 2, 2021 a holder of warrants exercised its net issuance right resulting in a net issuance on September 7, 2021 of 2,112,676 shares at a Fair Market Value of U.S. Dollars 65.14 per share, calculated using the average price of 5 business days before the exercise date.

b) Initial Public Offering (IPO)

On June 3, 2021, the Company successfully completed an initial public offering of its shares on the Nasdaq Global Select Market. The Company issued 4,411,765 shares, at a price of 21 U.S. Dollars per share prior to the underwriting discount of 6%. In addition, on June 3, 2021 the over-allotment option was exercised by the underwriters of the initial public offering on a secondary offering.

c) Acquisition of certain assets from PrimeiroPay

On March 11, 2021, dLocal signed a contract to acquire certain assets (mainly merchant agreements) from Primeiropay S.A.R.L and PrimeiroPay Technology GmbH ("Primeiropay") in accordance to the Transfer of a Going Concern Agreement signed between the parties. The purchase of this acquisition of assets amounted to 40 million U.S. Dollars, of which 1.33 million U.S. Dollars is contingent consideration (subject to the achievement of the "earn-out") and 38.67 million U.S. Dollars was an immediate cash consideration, with an effective date of April 1, 2021.

Primeiropay is an international payment service provider that delivers payment services for international merchants that want to accept payments from their international customers without setting up a local entity through processing all cards and payment methods domestically in local currencies. The concentration test outlined on IFRS 3 was met and therefore the transaction was classified as an asset acquisition.

For further details refer to Note 13: Asset acquisition.

d) Loan related to Employee share purchase plan (ESPP)

In November 2020 dLocal Group Limited signed a non-recourse "Loan Agreement" with two officers to fund the acquisition of shares under the ESPP.

During March and April 2021, dLocal received payments for USD 31,644 (equivalent to 15,459,000 common shares) that were considered as the collection of the exercise price of the options under the ESPP for the issuance of shares. Therefore, dLocal recognized for such collections the cash inflow against equity. As of the date of issuance of this Consolidated Condensed Interim Financial Statements, the loan and the corresponding accrued interest had been fully repaid.

e) Coronavirus pandemic

As of the date of this Consolidated Condensed Interim Financial Statements, the impact of the COVID-19 pandemic on our operations has had a different impact across our different product offerings and the different verticals the Group serves, with certain industries benefiting from increased adoption (e.g., online retail, online streaming, online gaming, social media) while others suffering initially from decreased usage (e.g., travel, ride hailing), however subsequently recovered to its pre-pandemic volumes.

The Group business has far showed a net benefit from the shift from in-store shopping and traditional payment methods towards e-commerce and digital payments (and overall higher exposure to online industries benefiting from increased adoption). The ultimate extent to which the COVID-19 pandemic impacts dLocal's business, financial condition, and results of operations will depend on future developments, which are highly uncertain, difficult to predict, and subject to change, including, but not limited to, the duration, scope, severity, and geographic spread of the outbreak, its impact on the global economy, actions taken to contain or limit the impact of COVID-19, such as the availability of an effective vaccine or treatment, geographic variation in how countries and states are handling the pandemic, the appearance of new variants of the virus, and how quickly and to what extent normal economic and operating conditions may potentially resume.

The Directors continue to believe that even if the pandemic may adversely affect the Group in the short-term, in the long-term the Group's assets will be preserved, and consequently the going concern basis applied to these financial statements is still applicable.

2. Presentation and preparation of the Consolidated Condensed Interim Financial Statements and significant accounting policies

2.1. Basis of preparation of consolidated condensed interim financial information

These Consolidated Condensed Interim Financial Statements for the nine-month and three-month periods ended September 30, 2021 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standard Board.

These Consolidated Condensed Interim Financial Statements do not include all the notes of the type normally included in an annual consolidated financial statement. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020 (the "Annual Financial Statements").

The accounting policies and critical accounting estimates and judgments adopted, except for those explicitly indicated on these Consolidated Condensed Interim Financial Statements, are consistent with those of the previous financial year and corresponding interim reporting period.

All amounts are presented in thousands of U.S. Dollars, except share data or as otherwise indicated.

These Consolidated Condensed Interim Financial Statements for the nine-month and three-month periods ended September 30, 2021 were authorized for issuance by the dLocal's Board of Directors on November 16, 2021.

2.2. Share-based payments

During the nine-month period ended September 30, 2021, the Group granted new restricted share units to executives and employees in return for their services, which represented changes in the composition of share options outstanding at the end of the period.

2.2.1. Employee Share Purchase Plan (“ESPP”)

Set out below are summaries of restricted share units and share options granted under the plan*:

	September 30, 2021		December 31, 2020	
	Average exercise price per share option (U.S. Dollars)	Number of options and RSUs	Average exercise price per share option (U.S. Dollars)	Number of options
At the beginning of the period	2.24	17,361,000	1.22	406,500
Granted during the period	3.69	2,292,000	2.10	16,294,000
Exercised during the period	2.03	(15,685,000)	—	—
Forfeited during the period	4.15	(15,000)	—	—
At the end of the period	1.16	3,953,000	2.08	16,700,500
Vested and exercisable at the end of the period	3.54	402,500	2.02	15,685,000

* Retroactively adjusted to reflect the effect of the stock split (Note 1).

No options expired during the periods covered by the above table.

Share options and restricted share units outstanding at the end of the period have the following expiry dates and exercise prices*:

Grant date	Vesting period	Expiry date	Exercise price (U.S. Dollars per A Share)	Share options and RSUs September 30, 2021	Share options and RSUs December 31, 2020
August 1st, 2018	3 years	August 1st, 2021	0.74	90,500	271,500
October 1st, 2019	3 years	October 1st, 2022	2.18	90,000	135,000
January 31st, 2020	Less than 1 year	December 31st, 2024	2.04	—	15,459,000
August 24th, 2020	5 years	August 24th, 2025	3.30	835,000	835,000
November 15th, 2020	4 years	November 15th, 2024	4.15	135,000	135,000
November 23rd, 2020	5 years	November 23rd, 2025	3.88	525,500	525,500
January 1st, 2021	5 years	January 1st, 2026	3.88	210,000	—
March 1st, 2021	1 year	March 1st, 2022	0.002	5,500**	—
March 2nd, 2021	5 years	March 2nd, 2026	7.44	10,000	—
March 11th, 2021	5 years	March 11th, 2026	0.002	1,031,000**	—
March 11th, 2021	5 years	March 11th, 2026	7.44	36,000	—
March 12nd, 2021	5 years	March 12nd, 2026	7.44	7,000	—
March 15th, 2021	5 years	March 15th, 2026	7.44	7,500	—
March 29th, 2021	5 years	March 29th, 2026	7.44	10,000	—
May 11th, 2021	5 years	May 11th, 2026	7.44	927,500	—
May 11th, 2021	3 years	May 11th, 2024	0.002	22,500**	—
May 18th, 2021	5 years	May 18th, 2026	16.17	10,000	—
Total				3,953,000	17,361,000
Weighted average remaining contractual life of restricted share units and share options outstanding at end of the period				4.22 years	4.02 years

* Retroactively adjusted to reflect the effect of the stock split (Note 1).

** It corresponds to Restricted Share Units (RSUs) granted.

2.3. New accounting pronouncements

The new and amended standards and interpretations that are issued, up to the date of issuance of our Consolidated Condensed Interim Financial Statements are disclosed below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group did not change its accounting policies or make retrospective adjustments as a result of new accounting standards made applicable on January 1, 2021.

Effective for periods beginning on or after January 1, 2021

The following new standards have been issued by IASB and the nature and effect of these changes are disclosed below. This change, however, did not have material impacts on the consolidated condensed interim financial information.

Interbank Offered Rates “IBOR” reform and its effects on financial report – phase 2

‘Phase 2’ of the amendments requires that, for financial instruments measured using amortized cost measurement (that is, financial instruments classified as amortized cost and debt financial assets classified as Fair Value through Other Comprehensive Income “FVOCI”), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform is reflected by adjusting their effective interest rate. No immediate gain or loss is recognized. A similar practical expedient exists for lease liabilities. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability do not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument’s effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain/loss, recognized immediately in profit or loss where the instrument is not derecognized).

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

The Group adopted amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16 Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. All the amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

3. Accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and judgments adopted on these Consolidated Condensed Interim Financial Statements are consistent with those of the previous financial year and corresponding interim reporting period.

The main changes in estimates and assumptions during the nine-month period ended September 30, 2021 are addressed below:

3.1. Share-based payment transactions to employees

dLocal estimates share-based payment transactions using the most appropriate valuation model and underlying assumptions, which depend on the terms and conditions of the grant and the information available at the grant date.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective from the date of the forfeiture.

The Group uses certain methodologies to estimate fair value of the options granted which include the following:

- estimation of fair value based on equity transactions with third parties close to the grant date.
- other valuation techniques including option pricing models such as Black-Scholes.

These estimates also require determination of the most appropriate inputs to the valuation models including assumptions regarding the expected life of a share option and expected volatility of the price of the Group's shares.

The model inputs for options granted during the nine-month period ended September 30, 2021 included:

- options are granted for no consideration and the calculation of the fair value is based on historical prices of comparable shares listed on Nasdaq.
- average exercise price*: 3.69 U.S. Dollars
- grant date: January 1st, February 25th, March 2nd, March 11th, March 12nd, March 15th, March 29th, May 11th and May 18th of the year, 2021.
- expiry date: January 1st, 2026, 2026, February 25th, 2026, March 2nd, 2026, March 11th, 2026, March 12nd, 2026, March 15th, 2026, March 29th, 2026, May 11st, 2026, May 11st, 2024 and May 18th, 2026.
- average share price at grant date*: 7.40 U.S. Dollars
- average expected price volatility of the company's shares: 39.7%
- average risk-free interest rate: 0.7%

* Retroactively adjusted to reflect the effect of the stock split (Note 1).

The model inputs for options granted during the nine-month period ended September 30, 2020 included:

- options are granted for no consideration and the calculation of the fair value is based on historical prices of comparable shares listed on Nasdaq.
- average exercise price*: 2.10 U.S. Dollars
- grant date: January 31st and August 24th of the year 2020
- expiry date: December 31st, 2024 and August 24th of 2025.
- average share price at grant date*: 2.28 U.S. Dollars
- average expected price volatility of the company's shares: 35.35%
- average risk-free interest rate: 1.42%

* Retroactively adjusted to reflect the effect of the stock split (Note 1).

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility based on publicly available information.

4. Consolidation of subsidiaries

dLocal Limited, located in Cayman, is the parent company of the Group and acts as a holding company for subsidiaries whose main activity is cross-border payments, enabling international merchants to access end customers in emerging markets. Its revenue comes from dividends receivable from subsidiaries and share of profit from subsidiary partnership.

The immediate subsidiary is dLocal Group Limited, an intermediate holding company located in Malta, whose subsidiaries are: dLocal Markets Limited, dLocal PTE Limited, dLocal Limited, dLocal LLP, dLocal Corp LLP, dLocal Inc. and dLocal Technologies S.A.

dLocal Markets Limited (Malta) is the majority shareholder of the Collection Agents located in the emerging markets. Its principal activity is to act as a holding company for such Collection Agents.

The immediate Collection Agents subsidiaries of dLocal Markets Limited are: dLocal Brasil Pagamentos Ltda., Demerge Brasil Facilitadora de Pagamentos Ltda., Dlocal Argentina S.A., Demerge Mexico S.A. de C.V., Dlocal Mexico S.A. DE C.V., Dlocal Chile SPA, Demerge Chile SPA, Pagos y Servicios Limitada, Dlocal Colombia S.A.S., Demerge Colombia S.A.S., Demerge Peru S.A.C., Depansum Solutions Private Limited, Dlocal Uruguay S.A., Demerge Ecuador S.A., PT. Dlocal Solutions Indonesia, DLocal Bangladesh Ltd., Dlocal Egypt LLC, DLocal Morocco SARL AU, Demerge Nigeria Ltd., Dlocal Panama SA, Demerge República Dominicana S.A.S., dLocal Paraguay S.A. and Depansum PTY.

As of September 30, 2021, December 31, 2020 and 2019 dLocal PTE Limited (Singapore) was the minority-interest shareholder of the following Collection Agents: dLocal Argentina S.A., dLocal Bangladesh Ltd., dLocal Brasil Pagamentos Ltda., Demerge Brasil Facilitadora de Pagamentos Ltda., PT. dLocal Solutions Indonesia, Demerge Nigeria Ltd., dLocal Egypt LLC, Demerge Argentina S.A. and dLocal Paraguay S.A.. Its principal activity is to act as a holding company for Collection Agents of countries where the law requires the existence of more than one shareholder.

dLocal Limited (Malta), dLocal LLP (UK) and dLocal Corp LLP (UK) act as Payment Providers within the structure of the Group for cross border transactions. These companies provide payment processing services to international merchants and work with Collection Agents based on the emerging markets. Payment Providers sign "Payment Processing Services Agreements" with merchants to enable them to accept and disburse payments in emerging markets. For local to local transactions, Collection Agents mentioned above act as Payment Providers.

Twenty-three subsidiaries of the Group act as Collection Agents based on each country targeted by dLocal and provide the Payment Providers with payment and collection services in the local currency of each country.

dLocal Technologies S.A. (Uruguay), dLocal Israel Ltd. and Demerge Argentina S.A. act as Service Providers within the structure of the Group. These companies provide technological and support services to the Payment Providers.

The Group evaluated whether to present additional information for the amount of non-controlling interest presented in the Consolidated Statement of Financial Position. The Group's management based its judgement on information for each subsidiary that had a non-controlling interest and considered both quantitative considerations (i.e. the size of the subsidiary) and qualitative considerations (i.e. the nature of the subsidiary), concluding that disclosing such information is not material.

5. Segment reporting

The Group operates in a single operating segment, which is "payment processing". Operating segments are defined as components of an enterprise for which separate financial information is regularly evaluated by the chief operating decision maker, who in the Group's case is the Executive Team, in deciding how to allocate resources and assess performance. The Executive Team is composed of the Chief Executive Officer ("CEO"), the Chief Operating Officer ("COO"), the Chief Financial Officer ("CFO") and the President of Dlocal Limited.

The Executive Team evaluates the Group's financial information and resources and assesses the financial performance of these resources on a consolidated basis on the basis of Revenues, Adjusted EBITDA and Adjusted EBITDA margin as further described below.

The Group's revenue, results and assets for this one reportable segment can be determined by reference to the Consolidated Condensed Statement of Comprehensive Income and Consolidated Condensed Statement of Financial Position.

As required by IFRS 8 Operating Segments, below are presented applicable entity-wide disclosures related to dLocal's revenues.

Revenue breakdown by region

The Group's revenues arise from operations in twenty-six countries, where the Company processes payments for its merchants' customers.

Based on the region where payments from/to such customers are processed this is the revenue breakdown:

	<u>Nine-months ended September 30</u>			<u>Three-months ended September 30</u>		
	<u>2021</u>	<u>YoY %</u>	<u>2020</u>	<u>2021</u>	<u>YoY %</u>	<u>2020</u>
LatAm	152,239	146.7%	61,717	62,684	128.0%	27,497
Other emerging markets	15,624	101.0%	7,773	5,962	77.8%	3,353
Revenues ¹	167,863	141.6%	69,490	68,646	122.5%	30,850

Revenue with large customers

During the nine-month period ended September 30, 2021 the Group operated with more than 400 merchants (more than 240 merchants in the period ended September 30, 2020).

For the nine-month period ended September 30, 2021, the Group's revenue from its top 10 merchants represented 60.0% of revenue (68.4% of revenue for the nine-month period ended September 30, 2020). For the nine-month period ended September 30, 2021 there are two customers (two for the nine-month period ended September 30, 2020) that on an individual level accounted for more than 10% of the total revenue.

Adjusted EBITDA and Adjusted EBITDA Margin

The Executive Team assesses the financial performance of the Group's sole segment by Revenues, Adjusted EBITDA and Adjusted EBITDA Margin. The Adjusted EBITDA is defined as the consolidated profit from operations before financing and taxation for the year or period, as applicable, before depreciation of property, plant and equipment, amortization of right-of-use assets and intangible assets, and further excluding the changes in fair value of financial assets and derivative financial instruments carried at fair value through profit or loss, impairment gain/loss on financial assets, transaction costs, share-based payment non-cash charges, secondary offering expenses and inflation adjustment. The Group defines Adjusted EBITDA Margin as the Adjusted EBITDA divided by consolidated revenues.

¹ The Group's revenues as of September 30, 2021 from customers attributed to the entity's country of domicile, are USD 76,716 while USD 91,144 are attributed to the domicile of the rest of the countries (USD 37,439 and USD 32,051 in September 30, 2020, respectively).

The Group reconciles the segment's performance measure to profit for the period as presented in the Consolidated Condensed Statements of Comprehensive Income as follows:

	Notes	Nine-months ended September 30		Three-months ended September 30	
		2021	2020	2021	2020
Profit for the period		54,304	16,586	19,669	8,622
Income tax expense	11	5,533	2,231	2,558	932
Inflation adjustment		197	(34)	156	(9)
Interest charges on leases		97	15	46	5
Net Interest expense from financial assets at FVPL		(1,289)	(342)	(1,095)	(210)
Fair value losses/(gains) on financial assets at FVPL		16	(12)	6	(9)
Other operating (gain)/loss	20	(2,896)	2,831	—	2,760
Other finance expense		414	45	178	9
Impairment loss/(gain) on financial assets	15	8	(853)	(159)	45
Depreciation and amortization	10	3,240	744	1,381	282
Secondary offering expenses (i)	8	4,442	—	695	—
Transaction costs (ii)	8	665	—	211	—
Share-based payment non-cash charges, net of forfeitures	9	5,354	7,039	2,673	106
Adjusted EBITDA		70,085	28,250	26,319	12,533
Revenues	6	167,863	69,490	68,646	30,850
Adjusted EBITDA		70,085	28,250	26,319	12,533
Adjusted EBITDA Margin		41.8%	40.7%	38.3%	40.6%

- (i) Corresponds to expenses assumed by dLocal in relation to secondary offering of its shares.
(ii) Corresponds to costs related to the acquisition of assets of Primeiropay as more fully explained in Note 13: Asset acquisition.

6. Revenues and Cost of Services

(a) Revenue and Gross profit description

dLocal derives revenue from processing payments for international merchants to enable them to operate in selected emerging markets.

The breakdown of revenue from contracts with customers per type of service is as follows:

	Nine-months ended September 30		Three-months ended September 30	
	2021	2020	2021	2020
Transaction revenues (i)	162,078	65,065	66,430	28,692
Other revenues (ii)	5,785	4,425	2,216	2,158
Revenues from payment processing (iii)	167,863	69,490	68,646	30,850
Cost of services	(76,361)	(30,084)	(34,202)	(13,969)
Gross profit	91,502	39,406	34,444	16,881

- (i) Transaction revenues are comprised of transaction fees, defined either as percentage of the transaction value or a fixed amount per transaction, as well as foreign exchange service fee, usually established as a percentage of the transaction value. These fees are recognized as revenue at a point in time when a payment transaction has been processed.
(ii) Other revenues are mainly comprised of minor fees, such as initial setup fees, installment fee, minimum monthly fees, chargebacks fees, refunds fees and small transfer fees.
(iii) In 2021 revenues include an amortization charge of USD 150 (USD 17 for the nine-month period ended September 30, 2020) related to prepaid assets, as detailed in Note 16: Other assets.

(b) Revenue recognized at a point in time and over time

Transaction revenues are recognized at a point in time when the payment transaction is processed. Other revenues are recognized as revenue at a point in time when the respective performance obligation is satisfied. The Group did not recognize revenues over time for the quarters ended September 30, 2021 and 2020.

(c) Cost of services

Cost of services are composed of the following:

	Nine-months ended		Three-months ended	
	September 30		September 30	
	2021	2020	2021	2020
Processing costs (i) (1)	72,109	28,506	32,371	13,404
Hosting expenses (ii)	2,253	782	1,046	285
Salaries and wages (iii)	454	276	195	100
Amortization of intangible assets (iv)	1,545	520	590	180
Cost of services	76,361	30,084	34,202	13,969

- (i) Mainly corresponds to fees that financial institutions (banks, local acquirers or payment methods) charge the Group, which are typically a percentage of the transaction value but in some instances, they also could be a fixed fee and are related to payment processing, cash advances, and installment payments. Costs vary from one institution to another and usually depends on the settlement period contracted with each such institution and the payment method used.
- (ii) Expenses related to hosting services for the Group's payment platform.
- (iii) Consist of salaries and wages of the operations department directly involved in the day-to-day operations. For further detail refer to Note 9: Employee Benefits.
- (iv) Amortization of intangible assets corresponds to the amortization of the internally generated software (i.e., dLocal's payment platform) by the Group. For further detail refer to Note 17: Intangible Assets.
- (1) For the nine-month period ended September 30, 2021, the amount includes foreign exchange losses and broker's costs of USD 3,431 on the processed volume between the processing date and the expatriation or repatriation of funds date (USD 3,690 for the nine-month period ended September 30, 2020).

7. Technology and development expenses

Technology and development expenses are composed of the following:

	Nine-months ended		Three-months ended	
	September 30		September 30	
	2021	2020	2021	2020
Salaries and wages (i)	880	666	495	311
Software licenses (ii)	270	186	110	61
Infrastructure expenses (iii)	562	179	261	73
Information and technology security expenses (iv)	135	110	62	35
Other technology expenses	385	114	188	48
Total Technology and development expenses	2,232	1,255	1,116	528

- (i) Consist primarily of FTEs compensation related to technology related roles. For further detail on total salaries and wages refer to Note 9: Employee Benefits
- (ii) Consist of software licenses used by the technology development department for the development and maintenance of the platform.
- (iii) Corresponds to information technology costs to support our infrastructure and back-office operations.
- (iv) Comprises expenses of overall monitoring and security of our network and platform.

8. Sales and marketing expenses and General and administrative expenses

Sales and marketing expenses and General and administrative expenses are composed of the following:

	Nine-months ended September 30		Three-months ended September 30	
	2021	2020	2021	2020
<i>Sales and marketing expenses</i>				
Salaries and wages (i)	3,023	1,753	1,098	649
Marketing expenses (ii)	401	269	157	90
Total Sales and marketing expenses	3,424	2,022	1,255	739
<i>General and administrative expenses</i>				
Salaries and wages (iii)	16,151	11,263	6,230	1,716
Third-party services (iv)	8,863	1,403	2,733	450
Office expenses (v)	2,022	1,202	732	422
Amortization and depreciation (vi)	1,695	224	791	102
Travel and other operating expenses (vii)	1,349	1,570	401	779
Total General and administrative expenses	30,080	15,662	10,887	3,469

- (i) Salaries and wages related to Full Time Equivalents (“FTE”) engaged in the Sales and marketing department of the Group. For further detail on total salaries and wages refer to Note 9: Employee Benefits.
- (ii) Expenses related to the distribution and production of marketing and advertising, public relations expenses, commissions to third-party sales force and partners and expenses incurred in relation to trade marketing at events.
- (iii) Salaries and wages related to administrative FTEs. For further detail on total salaries and wages refer to Note 9: Employee Benefits.
- (iv) This includes Advisors’ fees, Legal fees, Auditors’ fees and Human resources’ fees. Third-party services, for the nine-month period ended September 30, 2021, also include USD 4,442 of Secondary offering expenses and USD 665 of Transaction costs.
- (v) Consist of office rent and related expenses.
- (vi) Corresponds to amortization of right-of-use assets as well as depreciation of property, plant and equipment. For further detail on total amortization and depreciation charges refer to Note 10: Amortization and Depreciation.
- (vii) This mainly includes expenses related to bank charges, taxes and other operating expenses.

9. Employee Benefits

As of September 30, 2021, the Group’s FTEs were 532 (260 as of September 30, 2020) where 39% corresponded to information technology and product engineers and related roles (40% for the nine-month period ended September 30, 2020).

Employee benefits is composed of the following:

	Nine-months ended September 30		Three-months ended September 30	
	2021	2020	2021	2020
Salaries, wages and contractor fees (i)	19,858	7,203	7,504	2,808
Share-based payments (ii)	5,354	7,039	2,673	106
Total employee benefits	25,212	14,242	10,177	2,914

- (i) Salaries, wages and contractor fees include social security costs as well as annual bonuses compensations. This line also includes USD 4,704 in the nine-month period ended September 30, 2021 (USD 1,699 in the nine-month period ended September 30, 2020) related to capitalized salaries and wages.
- (ii) The share-based payments relate to equity-settled compensation expenses, net of forfeitures if any. For further information refer to Note 2.2: Share-based payments.

10. Amortization and Depreciation

Amortization and depreciation expenses are composed of the following:

	Nine-months ended September 30		Three-months ended September 30	
	2021	2020	2021	2020
Amortization of intangible assets	2,594	520	1,115	180
Right-of-use asset amortization	337	128	129	45
Depreciation of Property, plant & equipment	309	96	137	57
Total Amortization and Depreciation	3,240	744	1,381	282

For further information related to amortization of intangible assets refer to Note 17: Intangible Assets.

11. Income Tax

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average income tax rate used for the nine-month period ended September 30, 2021 is 9.2%, compared to 11.9% for the nine-month period ended September 30, 2020.

The income tax charge recognized in profit and losses is the following:

	Nine-months ended September 30		Three-months ended September 30	
	2021	2020	2021	2020
<i>Current Income Tax</i>				
Current Income Tax on profits for the year	(5,173)	(2,236)	(2,723)	(899)
Total Current Income Tax expense	(5,173)	(2,236)	(2,723)	(899)
<i>Deferred income tax</i>				
(Decrease)/Increase in deferred income tax assets	36	5	176	(33)
Increase in deferred income tax liabilities	(396)	—	(11)	—
Total Deferred income tax (expense) / benefit	(360)	5	165	(33)
Income Tax expense	(5,533)	(2,231)	(2,558)	(932)

12. Capital management

(a) Share capital

Authorized shares, as well as issued and fully paid-up shares, are presented below:

	September 30, 2021		September 30, 2020	
	Amount	USD	Amount	USD
Authorized Shares of 0.002 U.S. Dollars each				
Class A Common Shares	1,000,000,000	2,000	—	—
Class B Common Shares	250,000,000	500	—	—
Undesignated Shares	250,000,000	500	—	—
Authorized Shares of 1.1211 U.S. Dollars each **				
Common Shares	—	—	618,363	693
	1,500,000,000	3,000	618,363	693
Issued and Fully Paid Up Shares of 0.002 U.S. Dollars each *				
Class A Common Shares	149,065,490	298	268,598,000	602
Class B Common Shares	145,962,951	292	—	—
	295,028,441	590	268,598,000	602
Share Capital evolution *				
Share Capital as of January 1	268,598,000	602	268,598,000	602
i) Issue of ordinary shares (pre-IPO)	19,906,000	45	—	—
ii) Par value change	—	(70)	—	—
iii) Issue of ordinary shares at the IPO	4,411,765	9	—	—
iv) Warrant exercise	2,112,676	4	—	—
Share Capital as of September 30	295,028,441	590	268,598,000	602

* Retroactively adjusted to reflect the effect of the stock split (Note 1).

** Amounts do not reflect the effect of the stock split explained in Note 1.

The rights of the holders of Class A Common Shares and Class B Common Shares are identical, except with respect to voting, conversion and transfer restrictions applicable to the Class B Common Shares. Each Class A Common Share is entitled to one vote while Class B Common Shares are entitled to five votes each. Each Class B Common Share is convertible into one Class A Common Share automatically upon transfer, subject to certain exceptions. Holders of Class A Common Shares and Class B Common Shares vote together as a single class on all matters unless otherwise required by law.

- i) For the nine-month period ended September 30, 2021 and prior to the IPO date (June 3, 2021) dLocal issued 19,906,000 new Class A Common Shares receiving total proceeds of USD 63,177, according to the following details: i) 15,640,000 shares related to the exercise of share-options where dLocal received payments for USD 31,678; ii) 45,000 shares related to the exercise of share-options where dLocal received payments for USD 98; and iii) 4,221,000 shares, issued on March 3rd, 2021, where dLocal received payments for USD 31,401.
- ii) On April 14, 2021 existing shareholders of dLocal Group Limited contributed the outstanding shares, with par value of 1.1211 U.S. Dollars, to dLocal, and received the same number of shares with par value of 1 U.S. Dollars.
- iii) On June 3, 2021 the following transactions took place related to the Group's IPO: i) the Group made a 500-for-1 share split where the shareholders of dLocal exchanged 577,008 shares with par value of 1 U.S. Dollars for 288,504,000 shares of par value 0.002 U.S. Dollars of the same entity; ii) 4,411,765 shares were issued as part of the initial public offering where dLocal received a payment, net of issuance costs, of USD 86,450 based on a market price of 21.0 U.S. Dollars per share.
- iv) On September 2, 2021 a holder of warrants exercised its net issuance right resulting in a net issuance on September 7, 2021 of 2,112,676 shares at a Fair Market Value of U.S. Dollars 65.14 per share, calculated using the average price of 5 business days before the exercise date.

(b) *Capital reserve*

The Capital reserve corresponds to reserves related to the share-based plans, as described in Note 2.11: Share-based payments and warrants. Accordingly, this reserve is related to share-based payment compensation plans of the Group.

The following table shows a breakdown of the consolidated statement of financial position line item 'Capital Reserves' and the movements in these reserves during the periods.

	2021	2020
Balance as of January 1	12,582	5,287
Share-options exercise (i)	(6,898)	—
Share-based payments charges	5,360	7,039
Forfeitures	(6)	—
Warrant exercise	(533)	—
Balance as of September 30	10,505	12,326

- (i) During the nine-month period ended September 30, 2021, a total of 15,685,000 share-options under the share-based payments plan were exercised. Consequently, the correspondent charge to Capital reserve was recycled into the Share premium line item within equity.

(c) *Other Reserves*

The reserves for the Group relate to cumulative translation adjustment representing differences on conversion of assets and liabilities at the reporting date.

The following table shows a breakdown of the consolidated statement of financial position line item 'Other Reserves' and the movements in these reserves during the periods.

	2021 Cumulative translation adjustment	2020 Cumulative translation adjustment
Balance as of January 1	119	14
Movement of reserves	304	(516)
Balance as of September 30	423	(502)

(d) *Retained Earnings*

Movements in retained earnings were as follows:

	2021	2020
Balance as of January 1	31,749	18,460
Comprehensive income for the period	54,455	16,547
Transaction between shareholders	—	163
Distribution of retained earnings	—	(15,000)
Balance as of September 30	86,204	20,170

(e) *Earnings per share*

dLocal calculates basic earnings per share by dividing the profit attributable to equity holders by the weighted average number of common shares issued and outstanding during the nine-months and three-months periods ended September 30, 2021 and 2020.

For diluted earnings per share is calculated by dividing the profit attributable to equity holders of dLocal by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares.

The next table presents the information used as base for such calculation:

	For the nine-month period ended September 30		For the three-month period ended September 30	
	2021	2020	2021	2020
Profit attributable to equity shareholders (U.S. Dollars)	54,291,000	16,586,000	19,663,000	8,622,000
Weighted average number of common shares *	284,456,779	268,598,000	293,558,997	268,598,000
Adjustments for calculation of diluted earnings per share * (1)	19,609,500	13,544,500	19,646,000	12,964,000
Weighted average number of ordinary shares for calculating diluted earnings per share *	304,066,279	282,142,500	313,204,997	281,562,000
Basic earnings per share	0.19	0.06	0.07	0.03
Diluted earnings per share	0.18	0.06	0.06	0.03

* Retroactively adjusted to reflect the effect of the stock split (Note 1)

1 For the nine-month period ended September 30, 2021, the adjustment corresponds to the dilutive effect of i) USD 16,209 average shares related to share-based payment warrants; and ii) USD 3,401 average shares related to share-based payment plans with employees (USD 13,356 and USD 189 respectively for the nine-month period ended September 30, 2020). For the three-month period ended September 30, 2021 corresponds to the dilutive effect of i) USD 16,456 average shares related to share-based payment warrants; and ii) USD 3,190 average shares related to share-based payment plans with employees (USD 12,788 and USD 177 respectively for the three-month period ended September 30, 2020).

13. Asset acquisition

On March 11, 2021, with effective date April 1, 2021, dLocal signed a contract to acquire certain assets from Primeiropay S.A.R.L and PrimeiroPay Technology GmbH (“Primeiropay”) in accordance with the Transfer of a Going Concern Agreement (“the Agreement”) signed between the parties, for a consideration of USD 40.0 million, of which USD 1.33 million is contingent consideration (subject to the achievement of the “earn-out”) and USD 38.67 million was an immediate cash consideration, with an effective date of April 1, 2021. According to management’s estimates, the contingent consideration will be paid during the following 6 months.

Primeiropay is an international payment service provider that delivers payment services for international merchants that want to accept payments from their international customers without setting up a local entity through processing all cards and payment methods domestically in local currencies. The asset acquisition is expected to increase the Group’s market share through the incorporation of new global merchants processing payments in emerging markets. Details of the purchase consideration are as follows:

Purchase consideration	USD
Cash Paid	38,670
Contingent Consideration at fair value	665
Total Purchase Consideration	39,335

The Group applied the concentration test detailed on Paragraph B7B of IFRS 3 – Business Combinations, to assess whether the acquired set of activities and assets were or not a business. The concentration test was met since substantially all the fair value of the gross assets acquired was concentrated in a group of similar identifiable assets (i.e. intangible assets related to merchant agreements) and the intellectual property that is attached to them. Consequently, the transaction was classified as an asset acquisition, outside of the scope of IFRS 3 (Paragraph 2b).

Recognition of assets acquired

On April 1st, 2021 the Group recognized the assets acquired (mainly merchant agreements) as a single intangible asset in accordance with IAS 38 – Intangible Assets. The Group estimated the amortization period for such single intangible asset to be 18.75 years.

14. Cash and cash equivalents

Cash and cash equivalents breakdown is presented below:

	September 30, 2021	December 31, 2020
Own Balances	187,681	43,684
Merchant Clients Funds	105,374	68,049
	293,055	111,733

As of September 30, 2021, USD 293,055 (USD 111,733 on December 31, 2020) represents cash on hand, demand deposits with financial institutions and other short-term liquid financial instruments.

Own Balances correspond to cash and cash equivalents of the Group while Merchant Clients Funds correspond to freely available funds collected from the merchants' customers, that can be invested in secure, liquid low-risk assets until they are transferred to the merchants in accordance with the agreed conditions with them or transferred to Own Funds accounts for the portion that corresponds to the Group fees.

15. Trade and other receivables

Trade and Other Receivables of the Group are composed of the following:

	September 30, 2021	December 31, 2020
Trade receivables	149,862	67,553
Loss allowance	(297)	(341)
Trade receivables net	149,565	67,212
Advances and other receivables	18,035	5,573
	167,600	72,785

Trade Receivables correspond to uncollateralized gross amounts due from acquirers, processors, merchants and preferred suppliers for services performed that will be collected in less than one year, so they are classified as current. No financial assets are past-due and all Trade and other receivables are categorized as within "normal" credit risk rating.

Loss allowance and impairment losses

The following table presents the evolution of the loss allowance:

	2021	2020
Total as of January 1	(341)	(807)
Decrease / (Increase) in loss allowance for trade receivables	(8)	511
Write-offs	52	—
Total as of September 30	(297)	(296)
Net impairment (loss)/gain on financial assets (i)	(8)	853

(i) 2020 includes a write-off reversal of USD 342 charged directly to the Statement of Comprehensive Income related to Trade receivables.

Initial recognition and subsequent measurement the Group applies the simplified approach to determine expected credit losses on trade receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (only 0-30 past due bucket as of September 30, 2021 and December 31, 2020).

The expected loss rates are based on the payment profiles of debtors over a period of 36 months before year end and the corresponding historical credit losses experienced within this period. The historical loss rate is adjusted to reflect current and forward-looking information on credit risk ratings of the countries in which the Group sells its services which affects the ability of the debtors to settle the receivables. On that basis, the average expected credit loss rate of the 0-30 past due bucket was determined at 0.1% for the nine-month period ended September 30, 2021 (0.5% in the nine-month period ended September 30, 2020).

16. Other Assets

Other assets are composed of the following:

	September 30, 2021	December 31, 2020
Current		
Money held in escrow for: (i)	1,072	1,070
- Payment Processing Service Agreements	861	859
- Requirements for other processors	80	80
- Credit card requirements	131	131
Rental guarantees	210	95
Capitalized transaction costs (ii)	—	302
Prepaid assets (iii)	543	550
Total current Other Assets	1,825	2,017
Non-current		
Prepaid assets (iii)	—	143
Total non-current Other Assets	—	143

- (i) Comprises money held in escrow in order to constitute a fund required by processors.
- (ii) Corresponds to prepaid costs related to a potential offering process, only associated to primary offering costs.
- (iii) In 2020 the Group signed with a Merchant a letter of agreement (the “Agreement”) where the Group agreed to pay USD 400 to the Merchant in exchange of a minimum amount of revenue in the period between August 24th, 2020 and September 30th, 2022. During the nine-month period ended September 30, 2021 this asset was reduced in USD 150 and accounted for as a reduction of revenues (USD 17 in year 2020). Additionally, the Group signed an agreement with another Merchant where the Group agreed to pay USD 360 to the Merchant in exchange of a minimum amount of revenue during 2021 and for being retained as the provider of at least the 90% of the transacted volume in all markets where dLocal offers a complete payment solution in the same. Such agreement was already paid in 2021 and included within “Prepaid Assets”.
- (iv) See Note 13: Asset acquisition.

17. Intangible Assets

Intangible assets of the Group correspond to acquired software as well as to capitalized expenses related to internally generated software and are stated at cost less accumulated amortization.

	Internally generated software	2021 Acquired intangible asset *	Total	2020 Internally generated software
<i>At January 1</i>				
Cost	4,987	—	4,987	1,983
Accumulated amortization	(834)	—	(834)	(180)
Net book amount	4,153	—	4,153	1,803
Period ended September 30				
Opening book amount	4,153	—	4,153	1,803
Additions (i)	4,905	—	4,905	2,394
Asset acquisition (Note 13)	—	39,335	39,335	—
Amortization of the period	(1,545)	(1,049)	(2,594)	(520)
Closing book amount	7,513	38,286	45,799	3,677
	As of September 30, 2021	As of December 31, 2020		
Cost	49,227	4,989		
Accumulated amortization	(3,428)	(836)		
Net book amount	45,799	4,153		

* Refer to Note 13: Asset acquisition.

(i) The additions of the nine-month period ended September 30, 2021 include USD 4,704 related to capitalized salaries and wages (USD 1,699 as of September 30, 2020).

As of September 30, 2021, and December 31st, 2020 no indicator of impairment related to intangible assets existed, so the Group did not perform an impairment test.

18. Trade and other payables

Trade and Other Payables are composed of the following:

	September 30, 2021	December 31, 2020
Trade Payables	231,472	136,727
Accrued Liabilities	3,793	2,928
Other Payables	9,211	3,210
Total Trade and other payables	244,476	142,865

These payables are classified as current liabilities as the payment is due within one year or less. Moreover, the carrying amounts are considered to be the same as fair values, due to their short – term nature.

Trade Payables correspond to liabilities with Merchants, either related to payin transactions processed or payout transactions to be processed at their request. Accrued Liabilities mainly correspond to obligations with legal and tax advisors, and auditors. Other Payables mainly correspond to obligations related to processors' costs and the acquisitions of office goods and services necessary for the ordinary course of the business.

19. Tax Liabilities

The tax liabilities breakdown is as follows:

	September 30, 2021	December 31, 2020
Income tax payable	2,018	1,911
Other tax liabilities	6,724	5,877
Income tax withholdings	4,011	3,343
Digital services VAT withholding	1,949	1,579
Other Taxes	764	955
Total Tax Liabilities	8,742	7,788

20. Derivative financial instruments

As of the beginning of the nine-month period of these Consolidated Condensed Interim Financial Statements, dLocal Limited had an option agreement in place with one shareholder ("Investor"), pursuant to which the Investor had outstanding options to purchase up to 18,068,000 common shares from certain existing shareholders, or by direct issuance of Company shares, which could be exercised by the Investor on or before December 16, 2021.

In March 3, 2021, the investor exercised the right to purchase 18,068,000 Class A Ordinary shares in dLocal Group Limited, by acquiring them from other existing shareholders, without being required the issuance of new shares by dLocal. In this sense, as of March 3, 2021 the obligations of dLocal under this agreement have ceased.

Considering that as of December 31, 2020 the derivative financial instrument represented a liability for dLocal of USD 2,896, a gain for the same amount was recognized within Operating profit in the line item "Other operating gain/(loss)" in the Consolidated Condensed Interim Statements of Comprehensive Income for the nine-month period ended September 30, 2021.

21. Provisions

(a) Current or potential proceedings

Provisions for the period are related to current or potential proceedings where the management understands, based on the Group's legal advisors' assessment, that it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(b) Movements in current or potential proceedings

Movements in current or potential proceedings are set out below:

	2021	2020
Carrying amount as of January 1	1,393	798
Additional charge to current or potential proceedings	1,016	148
Carrying amount as of September 30	2,409	946

22. Related parties

(a) Related Party Transactions

Related party transactions are linked to the options agreement that is reflected presented in Note 20 of these financial statement.

(b) Key Management compensation

The compensation of the Executive Team during the period can be analysed as follows:

	Nine months to September 30, 2021	Nine months to September 30, 2020	Three months to September 30, 2021	Three months to September 30, 2020
Short-term employee benefits – salaries and wages	1,527	524	406	162
Long-term employee benefits – share-based payment	4,789	7,039	2,673	106
	6,316	7,563	3,079	268

(c) Transactions with other related parties

The following transactions occurred with related parties:

	Nine months to September 30, 2021	Nine months to September 30, 2020	Three months to September 30, 2021	Three months to September 30, 2020
Transactions with merchants – revenues	1,177	1,328	351	811
Transactions with preferred suppliers (Collection agents) – costs	(232)	(315)	(112)	(111)

(d) Outstanding balances arising from transactions with other related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	September 30, 2021	December 31, 2020
Merchants – accounts payable	(632)	(598)
Preferred suppliers (Collection agents) – accounts payable	(40)	(39)
Preferred suppliers (Collection agents) – accounts receivable	3,210	506

All transactions with related parties were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

23. Fair value hierarchy

The following tables show financial instruments recognized at fair value for the period ended September 30, 2021 and December 31, 2020, analyzed between those whose fair value is based on:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based upon observable market data.

The table also includes financial instruments measured at amortized cost. The Group understands that the book value of such instruments approximates their fair value.

September 30, 2021	<u>FVPL</u>	<u>Amortized cost</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets						
Financial Assets at Fair Value through Profit or Loss	1,066	—	1,066	1,066	—	—
Other Assets	—	1,825	1,825	—	—	—
Trade and Other Receivables	—	167,600	167,600	—	—	—
Cash and Cash Equivalents	—	293,055	293,055	—	—	—
	<u>1,066</u>	<u>462,480</u>	<u>463,546</u>	<u>1,066</u>	<u>—</u>	<u>—</u>

December 31, 2020	<u>FVPL</u>	<u>Amortized cost</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets						
Financial Assets at Fair Value through Profit or Loss	8,319	—	8,319	8,319	—	—
Other Assets	—	2,017	2,017	—	—	—
Trade and Other Receivables	—	72,785	72,785	—	—	—
Cash and Cash Equivalents	—	111,733	111,733	—	—	—
	<u>8,319</u>	<u>186,535</u>	<u>194,854</u>	<u>8,319</u>	<u>—</u>	<u>—</u>

September 30, 2021	<u>FVPL</u>	<u>Amortized cost</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities						
Trade and Other Payables	—	(244,476)	(244,476)	—	—	—
Contingent consideration liability	(665)	—	(665)	—	—	(665)
	<u>(665)</u>	<u>(244,476)</u>	<u>(245,141)</u>	<u>—</u>	<u>—</u>	<u>(665)</u>

December 31, 2020	<u>FVPL</u>	<u>Amortized cost</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities						
Trade and Other Payables	—	(142,865)	(142,865)	—	—	—
Derivative financial instruments	(2,896)	—	(2,896)	—	(2,896)	—
	<u>(2,896)</u>	<u>(142,865)</u>	<u>(145,761)</u>	<u>—</u>	<u>(2,896)</u>	<u>—</u>

Level 3 Financial Instruments

As of September 30, 2021, the Group has recognized a contingent consideration liability, described in Note 13, amounting to USD 665, classified in Level 3. The amount of the Level 3 contingent consideration was calculated by the finance team of the Group, using a discounted cash flow analysis, considering the expected cash flows based on terms of the contract, the entity's knowledge of the business and how the current conditions are likely to impact it.

There were no changes in level 3 items for the periods ended September 30, 2021 and December 31, 2020. Also, there were no transfer of items between level 2 and level 3, acquisitions, disposals nor gains or losses recognized in profit for the period related to level 3 instruments.

24. Subsequent events

Secondary offering

On October 25, 2021 the Company announced the closing of an underwritten public offering of 17,000,000 Class A common shares which were sold by certain selling shareholders at a public offering price of USD 52.25 per share. The offering was made pursuant to a registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission (“SEC”). This public offering was secondary for which the Company did not receive any cash in exchange of shares.

In connection with the offering, the selling shareholders have granted the underwriters the option to purchase up to 2,550,000 additional Class A common shares at the public offering price less the underwriting discounts and commissions.